

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 28, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Richard Farrenkopf, Assistant Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses

EXCUSED: Howard Roundy, Director of Information Technology

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending May 28, 2003 shows retail sales were up 7.36%, on-premise sales were up almost 6.48%, off-premise sales were up around 4%, and total aggregate sales were up 5.82%. The traffic count increased by 379, while the average sales ticket increased \$2.57.

The W-1 Total Weekly Sales Report for the same time period confirms total weekly sales were up 5.82% or \$433,456, while sales for the year were up 5.5% or \$16,218,679. Wine sales also increased over the same week last year by 9.9% or \$327,213, as they did by 8.9% or \$11,820,870 for the year. Sales of spirits were up for the week by 2.57% or \$106,242, and were also up year-to-date by 2.72% or \$4,402,446.

B. Budget Reports:

The latest outstanding depletions and post-offs report showed nothing of significance.

The W-6 Expense Budget Activity Variance Report shows that, as of May 27, 2003, the year is at about 88.77% expended, with total agency expenditures at around 86.3%. The salary and benefit transfer requests have been approved. Last week Fiscal Committee approved the transfer request for utilities at the stores and Commission headquarters.

Accounting is working with the Department of Justice on a mechanism to transfer money into the Enforcement account to be used as reimbursement for the purchase of vests.

Work continues with Ivan Bass regarding Administrative Rule 901 and RSA 178.26 relating to new procedures whereby brokers and vendors will be able to use credit

when acquiring product for sampling purposes. It will be necessary to develop a new mechanism to do this. A recommendation will probably be presented to the Commission asking that they be allowed 30 days to pay off their orders. Mike explained Law's billing process for the month. There was further discussion as to how the 15-day payment rule began. Commissioner Byrne felt all releases (for an individual broker/vendor) should be totaled on one bill for the month, and that they should then have 15 days to pay. Martignetti Companies' request for a waiver of the timeframe in order not to have to pay interest was raised, and it was moved by Commissioner Maiola, seconded by Commissioner Russell, that this request be denied. The motion was passed on a two to one vote, with Commissioner Byrne opposed.

George expects the OBG advertising contract to be on the second Governor and Council agenda in June, along with an Interstate electrical contract.

2. IT Report

Rick mentioned that Howard would like to receive input on the SITP plan as soon as possible.

The increase in lanes from three to six at Store #34 Salem is due to take place next Monday.

The Masterpiece conversion to Windows 2000 servers is scheduled for next Monday also. If this is not successful, it will be attempted again in July.

Work is still being done on the business contingency plan on the IT side. Some background work is continuing to move forward in that area on the telecommunications side.

II. MARKETING & ADMINISTRATIVE REPORTS

1. Store Operations:

Total store sales for the week ending 5/25/03 increased over the same week last year by 4.88% or \$285,440.51. Peter noted that Store #76 Hampton set a new record, doing approximately \$30,000 over last year on the same day. 11.5% of statewide business was accomplished in one location.

Shelving will be going in on the north side of Store #34 Salem. The loading dock is under construction, and the deck has been poured. Unloading is being done manually at this time. Store #38 Portsmouth is still divided in half. Tom Smith met with DOT and city officials yesterday regarding the issue of being required to provide public bathrooms. A proposal was made to have a separate bathroom facility in the corner of the parking lot. There was further discussion as to what the State laws are on this

subject, what agency should be responsible for providing public bathrooms, and health issues for those employees who would be in charge of cleaning them. Plans were for the Portsmouth store to be ready to open before July 4th, but the plumbing issues have pushed this date back. Commissioner Byrne requested that the full Commission receive copies of this project's schedule.

The Brookline lease has been returned with changes by Suzan Lehmann of the Attorney General's Office. She has concerns with specific language requested by the landlord saying the Commission will not sell tobacco products (which would compete with his business). Commissioner Byrne questioned as to whether or not the Commission had the right to make such changes, feeling it was a dangerous precedent in the event that the Senate may decide that state stores will sell tobacco in the future. Peter said he would ask the Attorney General to look into this. In the meantime, the Brookline store is scheduled for a September 2003 opening.

John Bunnell distributed an article regarding the building of the new Keene store, for which funds have been approved.

Commissioner Byrne noted that yesterday the Commission submitted a request for exemptions to the hiring freeze, and asked if there was a new plan for reorganization in the store system. He asked that all requests for additional positions be brought before the Commission for approval. He also did not feel these two new positions should be included in any reorganization at this time. Peter said he would make a presentation on an organizational chart for the Commission's review.

A. Recommendation Sunday Store Hours – Summer Season:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the opening of Store #39 Wolfeboro on Sundays from 10:00 a.m. to 5:00 p.m. beginning Sunday, May 29, 2003 through Sunday, September 28, 2003, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report

John Bunnell reported that the out-of-stock situation is in fairly good shape coming out of a busy weekend. Kathy Hass has been working with several brokers to determine where some of the out-of-stock items are at this time.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

- a. Test Market Request (Bushmills Malt 21-Year Old Irish Whiskey):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission tentatively approve a request from United Beverages, Inc./Pernod Ricard for a new test market listing for Bushmills Malt 21-Year Old Irish Whiskey, 750ML size (assigned four-digit Code #2832), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Plymouth Gin):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission tentatively approve a request from United Beverages, Inc./Future Brands for a new test market listing for Plymouth Gin, 750ML size (assigned four-digit Code #3201), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Request (3 Ronrico flavored rums):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission tentatively approve a request from United Beverages, Inc./Future Brands for new test market listings for the following three (3) 750ML size products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Ronrico Citrus Rum (assigned four-digit Code #5706); Ronrico Pineapple-Coconut Rum (assigned four-digit Code #5707); and Ronrico Vanilla Rum (assigned four-digit Code #5708). The motion was unanimously adopted.

- d. Test Market Request (Seagram's Extra Smooth & 4 flavored vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard for new test market listings for the following five (5) 750ML size products, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Seagram's Extra Smooth Vodka 80 proof (assigned four-digit Code #3963); Seagram's Citrus Vodka (assigned four-digit Code #3620); Seagram's Raspberry Vodka (assigned four-digit Code #3621); Seagram's Vanilla Vodka (assigned four-digit Code #3622); and Seagram's Apple Vodka (assigned four-digit Code #3623). The motion was unanimously adopted.

e. Test Market Results (9 spirit items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty listing for Code #5145, Trader Vic Macadamia Nut Liqueur, 750ML size, which exceeded the gross profit required for such a listing at the end of a six-month test market period, and delist the following eight (8) 750ML size products, each of which failed to achieve both their respective gross profits required for full distribution and specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #4304, Trader Vic Dark Rum; Code #5519, Trader Vic Coconut Rum; Code #4409, Trader Vic Gold Rum; Code #4411, Trader Vic Silver Rum; Code #4413, Trader Vic Spiced Rum; Code #5135, Trader Vic Coffee Liqueur; Code #1383, Tomantin Single Malt; and Code #5262, Basilica Creameretto. The motion was unanimously adopted.

f. Test Market Results (Codes #5120, #5121, #5122 & #8095):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission delist the following four (4) 750ML size products, each of which failed to achieve both their respective gross profits required for full distribution and specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #5120, Fruja Raspberry; Code #5121, Fruja Tangerine; Code #5122, Fruja Mango; and Code #8095, Carmichaels Heather Cream. The motion was unanimously adopted.

2) Size Extension Request (Jameson Irish Whiskey, 375ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission tentatively approve a request from United Beverages, Inc./Pernod Ricard for a line extension on Jameson Irish Whiskey, 375ML size (assigned four-digit Code #2587), as this brand in both the 750ML and 1.75L sizes have each exceeded their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) July Special Offers (110 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and ten (110) spirit items, to be featured on sale during July 2003, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for July 2003:

a. 3 items – Biagio Cru & Estate:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Biagio Cru & Estate Wines, LLC, based upon depletions of three (3) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of three (3) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 4 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of four (4) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 3 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of three (3) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 30 items – Pine State Trading Company/E & J Gallo:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company/E & J Gallo Winery, based upon depletions of thirty (30) wine items, to be featured on sale during July 2003, as recommended by Nicole

Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 4 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of four (4) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 3 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of three (3) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 57 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of fifty-seven (57) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. 158 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred fifty-eight (158) wine items, to be featured on sale during July 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- j. Harley Promotion; July 2003 (12 items – Martignetti Companies):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H. based upon special purchase allowances and depletions for twelve (12) wine items, to be featured during the July 2003 American Wine Sale (Harley promotion), as recommended by Nicole Horton, Wine Marketing Specialist

and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Purchase and Distribution of Hardy's Stamp Series:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be tabled pending further review. The motion was unanimously adopted.

3) Harley Summer Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a sweepstakes offer from Martignetti Companies of N.H./South Corp. during the months of July, August and September 2003, which will include a giveaway of one Harley motorcycle and other second and third prizes, and which will feature seven (7) wine items on sale in Cluster 1 and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Segway Human Transporter Sweepstakes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a sweepstakes offer from United Beverages, Inc./Diageo Chateau & Estates Wine Company during the months of June and July 2003, which will include a giveaway of one Segway Human Transporter, and which will feature three (3) wine items on sale in Cluster 1 through 6 stores and two (2) wine items on sale in Cluster 1 and 2 stores only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Bordeaux 2000:

a. 28 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of twenty-eight (28) 2000 Bordeaux offerings, including a change in codes to a 90000 series, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 103 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the purchase and distribution of one hundred and three (103) Bordeaux offerings, with an initial distribution made at Store #25 Stratham, Store #60 West Lebanon and the Nashua locations, as recommended

by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Wine Specialty Products (14 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of fourteen (14) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Not Recommended – Wine Specialty & Allocated:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny the listing of one (1) wine code as a wine specialty and allocated product, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (7 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seven (7) wine codes to be designated as allocated and restricted, to be distributed to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions (6 exclusive agent; 28 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-eight (28) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 5 through June 11, 2003. The motion was unanimously adopted.

**NEW HAMPSHIRE STATE LIQUOR COMMISSION
MINUTES OF MEETING – MAY 28, 2003**

Page Ten

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests submitted for the month of June 2003. The motion was unanimously adopted.

3. Late Items: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

